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RUEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC

RUEAIIA/CIA WASHINGTON DC

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RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE

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SUBJECT: SHARJAH AIRPORT - IRBIS FOLLOW-UP

REF: A. 05 DUBAI 06284, B. ABU DHABI 00715

1.(SBU) SUMMARY: Poleconoff visited Sharjah Airport in May to follow up on UAE assurances to Embassy that a UN designated air cargo charter company, Irbis, was shut down in February 2006, and found no evidence of continued operation during the visit. The company, however, remains listed on the airport's website. Poleconoff also met with Sharjah Airport International Free Zone (SAIFZ) officials to discuss Irbis, as well as general registration procedures. Registering a company in SAIFZ is simple and quick, with little scrutiny; however, aviation companies now require approval from the UAE aviation authorities. End Summary.

No Signs of Irbis

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2.(SBU) On February 21, 2006, the UAEG notified Embassy that it had closed the office of Irbis, a UN designated front company for international arms trafficker Vicktor Bout (ref B). Seeking to verify whether the operations were indeed closed, Poleconoff visited Sharjah airport's cargo areas and the Sharjah Airport International Free Zone (SAIFZ) in early May. Poleconoff also looked for signs of continued operations of another UN-designated company, Prilom. No evidence was found that Irbis or Prilom were still operating in Sharjah. Comment: Poleconoff has been unable to schedule a meeting with Sharjah airport officials until now. An official visit to the airport is planned to follow-up on Irbis. End Comment.

3.(SBU) Sharjah airport personnel working in the cargo area said that Irbis had changed names to Airbas; however, they didn't believe Irbis or Airbas had offices in the Sharjah Airport cargo areas. One airport worker said he thought Airbas might have moved its office to SAIFZ. Another worker commented that Airbas was a Russian company that had used a number of different names prior to Airbas. None of the airport personnel recognized the name Prilom. Airbas, Irbis, or Prilom are not listed as registered companies on the SAIFZ website (<http://www.saif-zone.com>); however, Sharjah Airport's website (<http://www.sharjahairport.ae>) lists Irbis as a non-scheduled airline that flies into Sharjah airport. Comment: Presumably, the airport website has not been updated as no other evidence of Irbis' continued existence at Sharjah airport was found. End Comment.

4.(SBU) Poleconoff met with Bassam Salim el-Kheshen, senior

marketing and sales officer at Sharjah Airport International Free Zone (SAIFZ) on May 8. In response to Poleconoff's inquiries about the UN designated companies, El-Kheshen said he heard that the UAE forced one SAIFZ company to close, but claimed not to remember the name. He heard that the company had been accused of smuggling weapons in West Africa a few years ago but knew no other details. El-Kheshen believed the company had immediately stopped operating when ordered to close. He did not recognize the names Irbis, Airbas, or Prilom. Comment: The company el-Kheshen describes is probably Irbis. End Comment.

#### Sharjah Airport International Free Zone

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5.(U) The Sharjah Airport International Free Zone (SAIFZ) executive provided an overview of the free zone and its operations. The zone has over 2300 companies and continues to expand its facilities. Initially, it catered to aviation related businesses, but the variety of businesses has increased and many of the aviation companies have closed. El-Kheshen said SAIFZ has the benefit of being close to Dubai without the costs of Dubai. He markets SAIFZ as the "cost effective suburb."

#### Tighter Regulation of Aviation Companies

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6.(SBU) El-Kheshen said that the UAE government was cracking down on aviation and aviation service companies. Now, all aviation and aviation service companies are required to be certified by the UAE General Civil Aviation Authority in Abu Dhabi. SAIFZ will only register aviation or aviation supply companies after they have received full approval from the UAE's aviation authorities. Previously, a charter carrier could set

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up operations in SAIFZ if the company and its aircraft were certified and registered outside of the UAE. A SAIFZ registered charter operator is prohibited from transporting passengers and cargo to or from Sharjah airport, except when the aircraft is under charter to an authorized carrier.

7.(U) El-Kheshen commented that Sharjah Airport is Lufthansa's largest cargo hub after Frankfurt. The Russian company Volga-Dnepr is the largest aviation company in the free zone, and it performs maintenance and overhaul on the Antonovs, Ilyushins, and Tupolovs used by charter carriers throughout the Middle East, Africa, and Central Asia.

#### SAIFZ Registration - Quick and Easy

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8.(U) A Free Zone Establishment (FZE), with one principal, or a Free Zone Company (FZC), with more than one owner, can normally be registered in SAIFZ within 24 hours. The applicants must complete an application, provide a one or two page project summary, provide the passports of the owners, and show proof of having AED 150,000. El-Kheshen admitted that an applicant only needs to have AED 150,000 in a bank at the time of registration.

Branches of UAE or foreign companies are required to submit additional documents, e.g., articles of incorporation, when applying to open in SAIFZ. Professionals, such as accountants and lawyers, seeking to register must submit proof of their qualifications from a recognized authority.

#### Due Diligence - Not A Priority

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9.(U) El-Kheshen said that SAIFZ relies on the UAE Ministry of Interior (MoI) for due diligence. If MoI rejects the visa application of a single owner FZE, the application will be rejected. For FZCs or branches of companies that list multiple

owners, SAIFZ only requests the removal of names rejected by MoI. SAIFZ runs no other checks on companies applying to set up in the zone.

Cost of Doing Business "Cleaning Up" SAIFZ

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10.(SBU) El-Kheshen asserted that the cost of doing business at SAIFZ is forcing questionable companies to move to cheaper locations. SAIFZ operates off of rents collected and every registered company is required to rent space in SAIFZ where the minimum annual rent is AED 29,900. El-Kheshen claimed that the requirement to pay rent and registration fees has caused some of the companies to leave SAIFZ. Smaller, less reputable companies look to less expensive free zones, particularly the Ras al-Khaimah Free Zone (reftel).

11.(U) According to El-Kheshen, Indian nationals represent the largest number of investors in SAIFZ. They are followed by Iranians, GCC nationals, and nationals of the CIS, particularly Russia.

Comment

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12.(SBU) Designation by the UN and pressure from the USG appears to have succeeded in shutting down Irbis at Sharjah Airport. Although the cost of doing business at SAIFZ might encourage smaller, "fly-by-night" companies to relocate, we doubt this would discourage all disreputable companies. Companies that are engaged in trade involving proliferation or smuggling are more likely to avoid well-regulated jurisdictions, which does not appear to be the case in SAIFZ.BURNS